

## Message Text

LIMITED OFFICIAL USE

PAGE 01 PORT M 00506 270917Z  
ACTION EA-09

INFO OCT-01 ISO-00 ONY-00 /010 W  
-----270920Z 008977 /11  
R 270025Z APR 77  
FM AMEMBASSY PORT MORESBY  
TO SECSTATE WASHDC 2236

LIMITED OFFICIAL USE PORT MORESBY 0506

STADIS////////////////////////////////////

EA ONLY FOR EA/EP

E.O. 11652: NA  
TAGS: PFOR AMGT XE XP ECON  
SUBJ: EAST ASIA ECONOMIC POLICY REVIEW

REF: STATE 073295

1. THE EMBASSY BELIEVES IT CAN IDENTIFY AT LEAST FIVE  
ECONOMIC AND COMMERCIAL AREAS IN PNG WHERE IT SHOULD DEVOTE  
ITS RESOURCES. THE FIVE AREAS ARE DISCUSSED BELOW IN  
DESCENDING ORDER OF THE RESOURCES NOW BEING EXPENDED ON  
THEM:

A. INCREASING THE UNITED STATES' SHARE OF IMPORT  
MARKET IN PAPUA NEW GUINEA

IN FY '75 PNG'S TOTAL IMPERTS WERE US \$610 MILLION, OF WHICH  
50 PERCENT CAME FROM AUSTRALIA AND LESS THAN 10 PERCENT FROM  
THE U.S. DESPITE THE SIGNIFICANTLY LOWER U.S. PRICES AND ROUGHLY  
EQUAL SHIPPING CHARGES. THE PROBLEM SEEMS TO BE LACK OF  
INFORMATION. MOST BUSINESSMEN IN PNG ARE AUSTRALIAN EXPATRI-  
ATES WHO HAVE MOST OF THEIR TRADITIONAL COMMERCIAL CONTACTS  
WITH AUSTRALIAN ENTERPRISES. DESPITE THIS, CONTACTS WITH  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 PORT M 00506 270917Z

THESE BUSINESSMEN HAVE INDICATED THAT THEY ARE QUITE WILLING  
TO PURCHASE GOODS AND PRODUCTS FROM THE LOWEST BIDDER.  
HOWEVER, THEY DO NOT HAVE CONTACTS WITH U.S. FIRMS AND DO  
NOT KNOW HOW TO MAKE SUCH CONTACTS. THE SAME PROBLEM EXISTS  
WITHIN THE GOVERNMENT. FOR EXAMPLE, AIR NIUGINI HAS RECENTLY  
BEEN PLANNING TO PURCHASE A BOEING 707. THEY ORIGINALLY  
HAD PLANNED TO PURCHASE THIS 707 FROM QANTAS. AS FAR AS

THE EMBASSY CAN DETERMINE, THEY HAD NOT EVEN THOUGH OF PURCHASING IT FROM THE U.S. UNTIL CONTACTED BY THE E/C OFFICER.

THE EMBASSY BELIEVES THAT THE PROMOTION OF U.S. TRADE THROUGH TRADE USA SEMINARS IN VARIOUS CITIES, LECTURES AT BUSINESS-MEN'S LUNCHEONS, ESTABLISHMENT OF A COMMERCIAL NEWSLETTER AND THE PROMOTION OF ONE OR TWO CATALOG SHOWS AHS THE POTENTIAL TO SUBSTANTIALLY INCREASE U.S. EXPORTS TO PNG. A GOAL OF INCREASING THE U.S. SHARE OF THE MARKET FROM 10 TO 20-25 PERCENT IN THE NEXT 3-5 YEARS SEEMS FEASIBLE.

THE EMBASSY VIEWS THE NEXL TWO TO THREE YEARS AS BEING PARTICULARLY IMPORTANT, AS OTHER GOVERNMENTS ARE ALSO ATTEMPTING TO CAPTURE A LARGE PART OF THIS MARKET. ONCE INITIAL CONTACTS ARE MADE, THE IMPORTANCE OF THE COMMERCIAL OFFICER MAY SLIGHTLY DIMINISH. AT THE PRESENT TIME, HOWEVER, HE IS PROBABLY THE MOST IMPORTANT SOURCE OF INFORMATION FOR PNG BUSINESSMEN IN TERESTED IN PURCHASING ITEMS FROM THE U.S.

#### B. PROMOTING U.S. INVESTMENT IN PNG

FOREIGN INVESTMENT IN PNG MUST BE CHanneled THROUGH THE NATIONAL INVESTMENT DEVELOPMENT AUTHORITY (NIDA), WHICH AT THE PRESENT TIME IS QUITE RECEPTIVE TO FOREIGN INVESTMENT. NIDA HAS DEVELOPED A LARGE NUMBER OF PROJECTS FOR FOREIGN INVESTORS. THE EMBASSY VIEWS THE DISSEMINATION OF INFORMATION ON THESE PROJECTS AS A HIGH PRIORITY GOAL. U.S. COMPANIES SEEM REASONABLY WELL INFORMED ON THE MINIRALS AND PETROLEUM PROSPECTS, SO THE EMBASSY DOES NOT PLAN TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 PORT M 00506 270917Z

SPEND A GREAT DEAL OF TIME OR RESOURCES IN DISSEMINATING INFORMATION ABOUT THEM. HOWEVER, THERE SEEMS TO BE LITTLE U.S. KNOWLEDGE OF THE FORESTRY PROJECTS. AT THE PRESENT TIME THE GOVERNMENT HAS DEVELOPED SEVEN FORESTRY AND TIMBER PROJECTS AREAS IN WHICH THEY WOULD LIKE TO SEE FOREIGN INVESTMENT. THEY RANGE FROM THE VANIMO PROJECT, WITH A TOTAL OF 287,000 HECTARES REQUIRING AN ESTIMATED INVESTMENT OF TWO HUNDRED MILLION DOLLARS, TO THE SMALLER MANUS ISLAND PROJECT WITH 47,000 HECTARES. THE GOVERNMENT WOULD BE INTERESTED IN PROJECTS IN FURNITURE AND VENEER PRODUCTION, PULP AND PAPER PRODUCTION, WOOD CHIPPING, RECONSTITUTED WOOLD PRODUCTS PRODUCTION AND PLYWOOD MANUFACTURE, AS WELL AS THE TIMBER HARVESTING ITSELF.

THREE TUNA COMPANIES-STARKIST AND TWO JAPANESE GROUPS-ARE ALREADY IN PNG. ALL HAVE PLANS FOR EXPANSION AND THE ADDITION OF A CANNERY. PNG, HOWEVER, HAS CONSIDERABLE OTHER MARINE PRODUCTS, INCLUDING REEF FISH, WHITE FISH, PRAWNS, CRABS, CRAYFISH AND LOBSTERS. THE GOVERNMENT IS QUITE

OPEN TO INVESTMENT IN THESE AREAS AS WELL.

IN AGRICULTURE GPNG IS INTERESTED IN ESTABLISHMENT OF LARGE TEA PLANTATIONS AND IN FOREIGN INVESTMENT IN THE CULTIVATION OF LEGUME AND GRAIN CROPS. THEY ARE PARTICULARLY INTERESTED IN RICE, BUT ALSO IN SOYA, MAIZE AND SORGHUM. THEY ARE VERY INTERESTED IN CULTIVATION AND FURTHER PROCESSING OF OIL PALM. DEVELOPMENT OF SUGAR CANE INDUSTRY IS ALSO CONSIDERED TO BE OF HIGH PRIORITY.

GPNG HAS SPECIFIC SITES IN MIND FOR ALMOST ALL OF THESE PROJECTS AND HAS DONE FEASIBILITY STUDIES ON MANY OF THEM. THESE PROJECTS NEED TO BE EVALUATED AND THE INFORMATION PASSED ON TO POSSIBLE U.S. INVESTORS.

#### C. ECONOMIC REPORTING

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 PORT M 00506 270917Z

CURRENT EMBASSY ECONOMIC REPORTING IS DONE MOSTLY IN SUPPORT OF NUMBER 1 AND 2 ABOVE. THIS INCLUDES THE SEMI-ANNUAL ECONOMIC TRENDS REPORT AND THE SEMI-ANNUAL INVESTMENT REPORT. OTHER ECONOMIC REPORTING IS DONE AS MAJOR ECONOMIC EVENTS DEVELOP. AT THE PRESENT TIME, EMBASSY HAS LITTLE GUIDANCE FROM WASHINGTON AS TO WHAT OTHER ECONOMIC REPORTING IS USEFUL AND NECESSARY.

#### D. DEVELOPMENT OF TRADE BETWEEN PAPUA NEW GUINEA AND GUAM AND TTPI

IN RECENT MONTHS EMBASSY HAS NOTICED A CONSIDERABLE INCREASE IN INTEREST ON PART OF PNG BUSINESSMEN IN TRADE BETWEEN PNG AND THE TTPI AND GUAM. A TRADE MISSION MAY GO FROM PNG TO THE TRUST TERRITORY. A RETURN MISSION FROM GUAM AND TTPI IS DESIRABLE. THE POSSIBILITY EXISTS THAT A REASONABLE VOLUME OF TRADE COULD BE SUSTAINED TO THE BENEFIT NOT ONLY OF PNG, BUT ALSO OF THE TTPI AND GUAM, GIVEN THE RELATIVELY CLOSE PROXIMITY, AND THIS SHOULD BE RESEARCHED FURTHER, POSSIBLY IN CONJUNCTION WITH A VISIT TO GUAM AND TTPI BY THE E/C OFFICER.

EMBASSY WOULD ALSO LIKE TO PROVIDE THE SERVICES OF THE POST'S COMMERCIAL SECTION TO GUAMANIAN AND TTPI BUSINESSMEN. THE SERVICES WOULD BE THE SAME AS THOSE OFFERED BY THE U.S. DEPT OF COMMERCE TO U.S. BUSINESSMEN ON THE MAINLAND. IT IS SUGGESTED THAT ARRANGEMENTS MIGHT BE MADE BETWEEN U.S. EMBASSIES AND GUAM DEPT OF COMMERCE AND THE TTPI DEPT OF RESOURCES AND DEVELOPMENT. SUCH SERVICES NEED NOT BE OFFERED WORLDWIDE AT THIS TIME, BUT A TRIAL SERVICE MIGHT INCLUDE FIJI, AS WELL AS PNG.

F. ECONOMIC DEVELOPMENT OF PNG

THE DESIRABILITY OF CONTINUED ECONOMIC DEVELOPMENT OF PNG  
IS TAKEN AS A GIVEN, BUT THE ROLE OF THE U.S. GOVERNMENT AND  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 PORT M 00506 270917Z

THE EMBASSY IN PROMOTING SUCH DEVELOPMENT NEEDS TO BE EXAMINED.  
AT PRESENT, THE U.S. GIVES NO DIRECT AID TO PNG,  
BUT GIVES SOME AID THROUGH MULTI-NATIONAL AGENCIES AND  
PRIVATE AGENCIES. USADB ASKS THE EMBASSY ITS  
OPINION ON VARIOUS PROPOSED AID PROJECTS IN PNG. THE  
EMBASSY'S E/C OFFICER IS A TRAINED ECONOMIST WITH A BACK-  
GROUND IN DEVELOPMENTAL ECONOMICS. HE COULD UNDERTAKE  
REASONABLY THOROUGH INVESTIGATIONS ON PROPOSED PROJECTS.  
TO MAKE SUCH EVALUATIONS, HOWEVER, WILL TAKE A CONSIDERABLE  
AMOUNT OF TIME AND TRAVELING AND WILL INVOLVE A CONSEQUENT  
REDUCTION IN THE E/C OFFICER'S ACTIVITIES IN THE OTHER  
AREAS MENTIONED ABOVE. CURRENTLY, THE EMBASSY IS DOING  
VERY LITTLE IN THIS AREA.

2. CONCLUSION: IT IS RECOGNIZED THAT NONE OF THE ABOVE  
ACTIVITIES OF THE EMBASSY ARE MUTUALLY INCOMPATIBLE.  
EMBASSY MONITORING AND EVALUATION OF AID PROJECTS WILL LEAD  
TO THE DISCOVERY OF COMMERCIAL VENTURES FOR U.S. FIRMS AND  
WILL REQUIRE INCREASED GENERAL ECONOMIC REPORTING, AS WELL.  
ENCOURAGEMENT OF TRADE BETWEEN THE TTPI, GUAM AND PNG FITS  
IN WITH THE OTHER COMMERCIAL ACTIVITIES OF THE EMBASSY.  
TRADE PROMOTION INCREASES AWARENESS OF INVESTMENT OPPORTUNITIES,  
AND STUDYING OF INVESTMENT OPPORTUNITIES CONVERSELY INCREASES  
AWARENESS OF TRADE OPPORTUNITIES. NEVERTHELESS, THERE ARE  
TRADE-OFFS. THE EMBASSY HAS ONE E/C OFFICER, ASSISTED BY  
ONE LOCAL EMPLOYEE. AT THE PRESENT TIME, ROUGHLY 60 PERCENT OF  
THE E/C OFFICER'S TIME IS SPENT ON COMMERCIAL WORK AND  
INVESTIGATING INVESTMENT OPPORTUNITIES AND ROUGHLY 80 PERCENT  
OF HIS LOCAL ASSISTANT'S TIME IS SPENT ON COMMERCIAL WORK.  
THE REMAINING TIME IS DIVIDED MORE OR LESS EQUALLY BETWEEN  
ECONOMIC REPORTING, ANSWERING REQUESTS FOR INFORMATION FROM  
WASHINGTON, AND DELIVERING AND REPRESENTING WASHINGTON'S  
VIEWS ON PARTICULAR ISSUES TO THE GOVERNMENT OF PNG. THE  
EMBASSY BELIEVES THIS DIVISION OF TIME TO BE APPROPRIATE  
GIVEN THE INFORMATION AVAILABLE TO THE POST AT THIS TIME.  
HOWEVER, THE POST IS NOT ABLE TO INDEPENDENTLY EVALUATE  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 06 PORT M 00506 270917Z

THE VALUE OF INCREASING TRADE WITH GUAM, TTPI AND PNG, NOR

IS IT ABLE TO INDEPENDENTLY EVALUATE THE IMPACT OF ITS  
OPINIONS REGARDING THE AID PROJECTS OF THE MULTI-NATIONAL  
AGENCIES OR THE VOLUNTARY PRIVATE AGENCIES. THE POST  
WOULD THEREFORE APPRECIATE ANY GUIDANCE THE DEPT COULD GIVE  
ON THE APPROPRIATE USES OF EMBASSY'S RESOURCES.  
OLMSTED

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** IMPORTS, ECONOMIC REPORTS, MARKET OPPORTUNITIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 27-Apr-1977 12:00:00 am  
**Decaption Date:** 22 May 2009  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977PORTM00506  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770146-0889  
**Format:** TEL  
**From:** PORT MORESBY  
**Handling Restrictions:**  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770414/aaaaalmq.tel  
**Line Count:** 230  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** f148c19c-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** ONLY  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** ONLY  
**Reference:** 77 STATE 73295  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 22-Feb-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2678881  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EAST ASIA ECONOMIC POLICY REVIEW  
**TAGS:** PFOR, AMGT, ECON, XE, XP, US  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/f148c19c-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009